



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ROCKCASTLE COUNTY SHERIFF**

**Calendar Year 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTVE SUMMARY**

### **ROCKCASTLE COUNTY SHIRLEY SMITH, COUNTY SHERIFF SHERIFF'S SETTLEMENT - 1998 TAXES**

The report renders an unqualified opinion.

The report has the following comments:

- The Fiscal Court Should Direct The Sheriff To Invest In An Interest-Bearing Account
- The Sheriff Should Comply With The Uniform System Of Accounts
- The Sheriff's Office Should Prepare Bank Reconciliations
- The Report On Compliance And On Internal Control Over Financial Reporting Reflects The First Comment Above As A Noncompliance. It Lists The Other Two Comments As Reportable Conditions.



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable George C. Carloftis, Rockcastle County Judge/Executive

Honorable Shirley Smith, Rockcastle County Sheriff

Members of the Rockcastle County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Rockcastle County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable George C. Carloftis, Rockcastle County Judge/Executive  
Honorable Shirley Smith, Rockcastle County Sheriff  
Members of the Rockcastle County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The Fiscal Court Should Direct The Sheriff To Invest In An Interest-Bearing Account
- The Sheriff Should Comply With The Uniform System Of Accounts
- The Sheriff's Office Should Prepare Bank Reconciliations

In accordance with Government Auditing Standards, we have also issued a report dated June 12, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 12, 2000

ROCKCASTLE COUNTY  
SHIRLEY SMITH, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Grants	\$	4,562
Circuit Court Clerk:		
Sheriff Security Service	\$	15,547
Fines and Fees Collected	<u>1,529</u>	17,076
Fiscal Court		9,925
County Clerk - Delinquent Taxes		5,291
Commission On Taxes Collected		78,962
Fees Collected For Services:		
Auto Inspections	\$	4,585
Accident and Police Reports	464	
Serving Papers	4,040	
Security Police	9,252	
Conveying Prisoners	345	
Marijuana Patrol	<u>1,758</u>	20,444
Other:		
Carrying Concealed Deadly Weapon Permits		2,460
Calendar Reimbursement		500
Miscellaneous		658
Interest Earned		<u>2,453</u>

Disbursements

Operating Disbursements:

Personnel Services-		
Deputies Salaries	\$	65,461
Employee Benefits-		
Employer's Share Social Security	8,420	
Employer's Share Retirement	2,412	
Kentucky State Treasurer-		
Carrying Concealed Deadly Weapon Permits	1,560	
Marijuana Patrol Refund	329	

ROCKCASTLE COUNTY  
 SHIRLEY SMITH, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1998  
 (Continued)

Disbursements (Continued)

Operating Disbursements (Continued)

Materials and Supplies-		
Office Materials and Supplies	\$	400
Uniforms		1,390
Auto Expense-		
Gasoline		10,568
Maintenance and Repairs		1,915
Other Charges-		
Dues		325
Transporting Prisoners		<u>144</u>
Total Disbursements		<u>\$ 92,924</u>
Net Receipts	\$	49,407
Less: Statutory Maximum		<u>48,726</u>
Excess Fees Due County for Calendar Year 1998	\$	<u><u>681</u></u>

The accompanying notes are an integral part of the financial statement.

ROCKCASTLE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

ROCKCASTLE COUNTY  
NOTES TO FINANIAL STATEMENT  
December 31, 1998  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

## COMMENTS AND RECOMMENDATIONS



ROCKCASTLE COUNTY  
SHIRLEY SMITH, SHERIFF  
COMMENTS AND RECOMMENDATIONS

Calendar Year 1998

STATE LAWS AND REGULATIONS:

1) The Fiscal Court Should Direct The Sheriff To Invest Funds In An Interest-Bearing Account

The Sheriff is currently depositing funds into a noninterest-bearing account. KRS 66.480 states that the county officials, at the direction of the fiscal court, shall invest and reinvest money subject to their control and jurisdiction. We recommend the fiscal court direct the Sheriff to deposit all money collected into an interest-bearing account.

*Sheriff's Response:*

*We have initiated NOW account in ensuing years-starting in 1999.*

2) The Sheriff Should Comply With The Uniform System Of Accounts

The Sheriff did not maintain the cash receipts ledger and cash disbursements ledger properly. The receipts ledger totals were inaccurate. The disbursements ledger only had totals for three months. Neither the receipts ledger nor the disbursements ledger had a summary total. The State Local Finance Officer, under the authority of KRS 68.210, established the Uniform System of Accounts, which contain minimum accounting requirements that include accurately preparing a receipts ledger and disbursements ledger. In an effort to strengthen internal controls over cash receipts and disbursements, we recommend the Sheriff prepare accurate receipts and disbursements ledgers.

*Sheriff's Response:*

*We will comply in the future.*

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

The Sheriff's Office Should Prepare Bank Reconciliations

The Sheriff's office did not prepare accurate bank reconciliations. The State Local Finance Officer, under the authority of KRS 68.210, established the Uniform System of Accounts, which contains minimum accounting requirements that include reconciling monthly bank statements. In order to properly account for money, it is important to accurately reconcile bank deposits and withdrawals to bank collections and payments. In an effort to strengthen internal controls over cash receipts, we recommend the Sheriff prepare accurate bank reconciliations.

*Sheriff's Response:*

*We will comply in the future.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable George C. Carloftis, Rockcastle County Judge/Executive  
Honorable Shirley Smith, Rockcastle County Sheriff  
Members of the Rockcastle County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Rockcastle County Sheriff as of December 31, 1998, and have issued our report thereon dated June 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Rockcastle County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comments and recommendations.

- The Fiscal Court Should Direct The Sheriff To Invest Funds In An Interest-Bearing Account

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rockcastle County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable conditions are described in the accompanying comments and recommendations.

- The Sheriff Should Comply With The Uniform System Of Accounts
- The Sheriff's Office Should Prepare Bank Reconciliations

Honorable George C. Carloftis, Rockcastle County Judge/Executive  
Honorable Shirley Smith, Rockcastle County Sheriff  
Members of the Rockcastle County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- The Sheriff Should Comply With The Uniform System Of Accounts
- The Sheriff's Office Should Prepare Bank Reconciliations

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 12, 2000

